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ABSTRACT

Noting that accounting reports, including management advisory service (MAS) studies, reports on internal control, and tax memoranda, often appear rather dense and heavy in style--partly because of the legal environment's demand for careful expression and partly because such documents convey very complex information--this paper presents four principles for improving the reports' effectiveness: (1) state recommendations or conclusions early; (2) be concise, use simple sentences, and avoid convoluted grammar; (3) develop an active or vigorous writing style; and (4) create white space--make the document easy and appealing to read. The paper analyzes a summary from an MAS report and a client letter on internal control in light of the four principles and presents edited versions of the two documents with illustrative commentary. (JL)

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Client Oriented Management Documents

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Abstract
of
Client Oriented Management Documents

Besides generating routine audit reports for their clients, major CPA firms also provide them with diversified management advisory services, such as setting up appropriate accounting systems. The reports, summaries, or management letters conveying the results of such studies are often nor very effective because they are written in rather dense or unreadable styles which clients find difficult to penetrate. This paper analyzes two representative samples of such writing and recommends the following strategies to enhance their clarity and effectiveness for the readers:

1) State your recommendation early in the report.
2) Be concise; use simple sentences; avoid convoluted syntax.
3) Develop a vigorous writing style.
4) Create white space; make the document easy and appealing to read.

Edited versions of the two documents with illustrative commentary conclude the paper.

CLIENT-ORIENTED MANAGEMENT DOCUMENTS 1

The key aspect of any accounting engagement is communicating your conclusions or recommendations to management. Normally, the communication is a written letter or report. Your objective is often persuading management to act on your advice or helping them understand the gist of your conclusions.

Accounting reports including MAS studies, reports on internal control, tax memoranda and others often appear rather dense and heavy in style, similar to professional documents prepared by lawyers and engineers, partly because all professions and businesses have become very cognizant of the legal environment: watch what you say. Moreover, very complex information is conveyed in such documents which compounds their unreadability. You can, however, satisfy these constraints and still deliver your message effectively. Managers naturally want to know how to accomplish this.

The purpose of this article is to discuss and illustrate the following four principles which aid in improving the effectiveness of your written documents:

1. State your recommendation or conclusion early.
2. Be concise; use simple sentences; avoid convoluted grammar.
3. Develop an active or vigorous writing style.
4. Create white space; make the document easy and appealing to read.

Note that by using these principles, you will minimize time. Time is minimized by you or your staff in writing the documents, and by the audience in reading them. Simply put, the less effort management spends reading your report, the more time they will have to comprehend and consider your recommendations.

Principle 1 - State Conclusion or Recommendation Early

Management wants to know "the bottom line." Your recommendations or conclusions should be stated in the first paragraph, if possible. Do not

bury your most important point at the end of the report or in the middle of the supporting information.

You can often begin the sentence containing the conclusion with a phrase or clause that states the general nature of the question or problem. A concise statement of the problem may be required when a person unfamiliar with the problem is likely to read the report. Here is an example of this technique:

> To restructure your debt within the guidelines set down by your Board of Directors, we recommend the following steps....

Place yourself in the reader's position to determine the most important question (What do your want me to do?) and then answer it first.

Principle 2 - Use Short Sentences (Avoid complex syntax)

Long involved sentences are often difficult to comprehend and increase the required reading time. Often a relatively simple message is lost because the reader can't or won't decipher the message from a very convoluted sentence. If you follow the normal English word order Subject + Verb + Object and then modifying elements, the reader finds it easy to grasp the message quickly.

Basically, try to keep your subject as close to your verb as possible. Using long clauses between the subject and the verb clouds the meaning of the sentence. Compare this sentence and its rewrite which follows:

> The general ledger posting machine, which was pictured on the preceding page, and which was once the workhorse for the accounting department, is virtually obsolete.
>
> Rewrite: The general ledger posting machine was pictured on the preceding page. Though once the workhorse for the accounting department, it is virtually obsolete.

Principle 3 - Develop a Vigorous Writing Style

Writing in an active style involves using two main principles:

(a) Using the active voice, wherever appropriate, and

(b) Using verbs instead of nouns formed from verbs.

(a) The overuse of the passive voice instead of the active voice is one of the more common features of business writing, resulting in its unreadability. Compare the tone of the sentence, "The decision was made by management." (passive voice) with, "Management made the decision." (active voice). The active voice, (Management made) is decisive, clear and brief.

(b) Try to use the verb form instead of a noun formed from that verb. In the example above, "Management made the decision.", decision is a noun formed from the verb decide. By writing, "Management decided," we reduce the number of words and at the same time make the sentence more concise and direct.

Principle 4 - Create White Space

Managers read extensively, so why not design a layout that will ease their reading burden? Creating white space reduces reading effort by eliminating the cluttered look associated with long sections of writing. A cluttered document is visually unappealing and is difficult to process. Effective devices for creating white space include:

*Using internal subheadings,
*Separating the vital points of a sentence with bullets,
*Interspersing documents with tables, graphs or other visual aids,
*Shortening overlong paragraphs, and
*Capitalizing key words or phrases.

Implementing These Principles

To demonstrate the positive effect of these principles, we've chosen two pieces of accounting related writing: the summary from an MAS Report and a client letter on Internal Control. All four principles are not illustrated by each of the two documents, because each document has a unique

structure, but together both examples help illustrate the principles. First, read the summary of the Community Hospital document that follows. Look for ways that you could improve the summary:

Summary

Community Hospital (Original Text)

Community Hosptial will be a complete healthcare facility serving a growing population. It will open in the Fall of 1979 with 500 beds and an outpatient component. The patient billing system and some other medical applications will be computerized from the outset. Other applications will be added to the system later. Patient Account Management has three major concerns: The Revenue Cycle, the Billing and Collections Cycle, and the Accounts Receivable Cycle. The revenue cycle admits and charges patients. The billing and collection cycle prints the final bill, notifies payers of unpaid balances and collects payments. The accounts receivable records and stores transactions on unpaid balances. The majority of admissions involve thrid-party payers, so special procedures are needed to meet their requirements. Data base management techniques are employed to integrate the separate functions. Emphasis has been given to internal control and security. The Burroughs Hospital Information System computer configuration has been selected to meet the present and future needs of the hospital.

Critique of Community Hospital Summary

Principle 1 - State Conclusion or Recommendation Early

The most important point is at the end of the paragraph. Before reaching the conclusion, the reader must sort through considerable detail.

First, managers want to know, "What are you telling us?", and then, "Why and how did you reach the conclusion?" Once they know the conclusion, they can evaluate it by reading further.

In the Community Hospital Summary, a "problem and then solution" format is used. But remember, you were hired by the management and they know what the problem or solution criteria are. They know how many beds the hospital has and when it will open. Hence, bring the conclusion to the front and include only a very concise statement of the problem (if appropriate):

> To meet its present and future billing and administrative needs, the soon-to-be-opened Community Hospital has chosen the Burrough's computerized Hospital Information System.

Principle 3 - Develop a Vigorous Writing Style

We all know that how you say something often exerts as much influence as what you say. An active writing style aims to create interest in the reader's mind, the feeling that something important is being said.

Even though the passive voice has legitimate uses in appropriate contexts, writing in the active voice increases the effectiveness and clarity of the sentence. Here is an example of a passive voice sentence from the Community Hospital summary:

> Data base management techniques are employed to integrate the separate functions.

Note that by adopting the active voice we make the subject of the sentence also the performer of the action.

> Rewrite: Burrough's software integrates the separate functions using data base management techniques.

or

Rewrite: By means of data base management, Burrough's software integrates the separate functions.

Activity can be enhanced by using verbs instead of nouns formed from verbs. The following sentence contains an important point, but the style is rather flat.

Emphasis has been given to internal control and security.

By substituting the verb emphasize for the noun emphasis, we bring action or vigor to the sentence:

Rewrite: Additionally, the system emphasizes internal control and security.

Principle 4 - Create White Space

Creating white space is perhaps the easiest but one of the most beneficial principles to follow. You can design your document to make important points "jump out" at the reader. As a busy manager, do you like to search for the writer's points?

Below is a rewritten version of the Community Hospital Summary. See how the additional white space improves the design and makes the information easily accessible. Bullets have been used to accentuate the main features and the benefits of the Burrough's system and also to shorten the paragraph length.

Using bullets effectively requires adherence to the following rules:

(1) Use parallel construction, and

(2) Begin each bullet at the points accentuating the parallelism.

Making each sentence parallel involves beginning each statement

with the same part of speech, the same verb tense or the same overall sentence structure. For example, in the summary below each sentence in the first set of bullets has identical structure (subject + verb + object). In the second set, each statement begins with the same verb tense.

You can determine a proper beginning for each bullet by the point you want to make to your audience. The first set of bullets is effective not just because of the repetition of the word The, but because of the repetition of the entire sentence structure. An action-oriented verb of the same tense begins each point in the second set. Using the same verb tense in the second set of bullets accentuates the importance of the benefits of the system. In practice, there are many different ways of creating parallel structures, and each has its meaningful place.

Summary
Community Hospital
(Rewritten Version)

To meet its present and future billing needs, the soon-to-be opened Community Hospital has chosen the Burrough's computerized Hospital Information System. Initially, this system will manage the hospital's billing process (Patient Account Management) and will later assume additional administrative duties. The three cycles or components of the billing process cover the steps from hospital admission to bill payment:

-The Revenue Cycle admits and charges patients,
-The Billing and Collection Cycle prints and collects bills, and
-The Accounts Receivable Cycle tracks unpaid bills.

The system has three important features benefitting management. It:

-Provides for the processing of bills paid for by third

parties,
-Integrates the three components of the billing process using data base management techniques, and
-Facilitates security and emphasizes internal control.

Letter on Internal Control

The text of the letter on internal control is a fairly standard format and very complete in terms of what the auditor did or did not do and the limitations that are inherent in the study of internal control. The essential message is, however, difficult to determine. Let's examine the letter in terms of writing principles.

Principle 1 - State the Conclusion or Recommendation Early

In this letter, a larger statement of the background material is required. Management may or may not know about the purposes of the internal control study. But, as quickly and succinctly as possible, state your conclusion: There is a weakness in the client's internal control system and that you have a recommendation to alleviate the weakness. Place your message where it will stand out, don't bury it at the end of a long paragraph.

Letter on Internal Control
(Original Text)

Dear Sirs:

We have examined the financial statements of

for the period ended November 30, 1978 and have issued our report thereon dated January 23, 1979. As a part of our examination, we made a study and evaluation of the company's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are

to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements.

The objective of and inherent limitations on any system of internal accounting control are described in the Appendix to this report.

Our examination of the financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the company's system of internal accounting control for the period ended November 30, 1978, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed the following conditions that we believe to be material weaknesses, for which corrective action may be practicable in the circumstances.

Cash Receipts

The person who handles credit card receipts for the purpose of preparing the bank deposits also posts the credit card receipts, tests the Daily Reports received from the Inns, and makes journal entries to record such receipts.

We recommend that another person prepare the bank deposits for credit card receipts.

Principle 2 - Use Short Sentences

Writing in a concise manner, as was previously discussed, improves the reader's comprehension of your message. Wordy or complex sentences are very difficult to read if they interrupt subject-verb closeness by

long phrases or clauses. Except for possible legal reasons, why is the following sentence written in such convoluted way?

> Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements.

What does this long sentence really say? Looking closely, we can see that there are two purposes of an internal control evaluation. This sentence can therefore be rewritten more concisely and clearly as follows:

> Rewrite: Such evaluation has two purposes:
>
> (1) to test the reliability of a company's internal accounting controls, and
> (2) to set up an efficient audit.

The rewrite clearly tells the reader that there are two purposes and what they are. Focus the readers' attention on a clearly stated message because their needs are paramount in management advisory documents.

Principle 3 - Develop A Vigorous Writing Style

Standard accounting report-and-letter formats generally suffer from inactive writing style. Specifically, there are numerous nouns used where the verb forms would create a more vigorous effect. Consider this phrase from the letter:

> ...we made a study and evaluation of the system of internal accounting control...

Contrast the above with a different version:

> Rewrite: ...we studied and evaluated the system of internal accounting control...

The actions, studied and evaluated, have a stronger impact when stated as verbs rather than their corresponding abstract nouns. Better still, omit studied because how can you evaluate anything before you have studied it?

Principle 4 - Create White Space

The original letter uses a device for creating white space by employing an internal subheading, "Cash Receipts". A rewrite of the letter, below, expands the subheading concept. We are using it to draw more attention to the message being sent to management: The cash receipts area has an internal control weakness, and we have a recommendation to correct it. In addition, the last sentence of the rewrite explicitly provides the rationale for the recommendation and the benefit that management can derive by implementing the recommended change.

Additionally, long paragraphs have been shortened in the edited version. Shorter paragraphs were achieved by using shorter sentences. Note that shorter sentences, shorter paragraphs, and subheadings--all combine on occasion and the benefits of each overlap.

Letter on Internal Control
(Rewritten Version)

We have examined the financial statements of _____, Inc. for the period ended November 30, 1978. As you are aware, we base our opinions on a selective examination of a company's accounting data. Such examination has two purposes:

(1) to test the reliability of that company's internal accounting control, and
(2) to set up an efficient audit.

We describe in the Appendix to this report the objectives and inherent limitations of any system of internal accounting control.

Our limited examination revealed some material weaknesses in the company's system of internal accounting control. We think they can and should be corrected to your advantage:

Cash Receipts

Weakness:

The person who handles credit card receipts for the purpose of preparing the bank deposits also posts the credit card receipts, tests the Daily Reports received from the Inns, and makes journal entries to record such receipts.

Recommendation: Let another person prepare the bank deposits for credit card receipts: This procedure will ensure a routine double check and prevent errors and fraud.

Conclusion

We have examined two accounting documents and have seen how a few simple writing principles can increase their readability and effectiveness. Remember that the reason for writing is to convey a message. Why not convey that message in a manner that will maximize its effectiveness?

Certainly, many accounting documents must contain enough information to protect accountants from legal action. Other types of information are required by the standards laid down by various accounting boards. However, accountants can work within these frameworks and yet generate more effective and more easily understandable reports for management.